UNITED STATES PATENT AND TRADEMARK OFFICE

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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/664,403	09/18/2000	Ross H. Cornell	05997.0019-00	4008

22852	7590	07/28/2006

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EXAMINER
ALPERT, JAMES M

ART UNIT	PAPER NUMBER
3693	

DATE MAILED: 07/28/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

	Application No.	Applicant(s)
Office Action Summary	09/664,403	CORNELL, ROSS H.
	Examiner	**Art Unit**	
	James Alpert	3693	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE <u>3</u> MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on <u>03 May 2006</u>.

2a)☐ This action is **FINAL**.   2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) <u>7-10,27-30 and 45-48</u> is/are pending in the application.

    4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) <u>7-10,27-30,45-48</u> is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

    Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

    Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

    a)☐ All   b)☐ Some * c)☐ None of:

      1.☐ Certified copies of the priority documents have been received.

      2.☐ Certified copies of the priority documents have been received in Application No. _____.

      3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

    * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1)☒ Notice of References Cited (PTO-892)

2)☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)

3)☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
    Paper No(s)/Mail Date _____.

4)☐ Interview Summary (PTO-413)
    Paper No(s)/Mail Date. _____.

5)☐ Notice of Informal Patent Application (PTO-152)

6)☐ Other: _____.

DETAILED ACTION

Continued Examination Under 37 CFR 1.114

A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on 05/03/2006 has been entered.

Status of Claims

Claims 47-48 are original. Claims 7,27,29-30,45 are currently amended. Claims 8-10,28,46 are previously presented. Claims 1-6,11-26 are cancelled. The examiner, pursuant to an election restriction, has withdrawn claims 31-44,49-70. Claims 7-10,27-30,45-48 are therefore currently pending.

Response to Arguments

The previous final Office Action, mailed 11/30/2005, presented rejections of all of the Applicant's claims under 35 U.S.C. 103(a) as being unpatentable over Frankel, U.S. Patent #6070151, in view of Goldenfeld et al, U.S. Patent #6208738. Applicant's arguments filed 05/03/2006 have been fully considered, and are persuasive. Therefore, the rejections under 35 U.S.C. 103(a) are withdrawn. However, upon further consideration, new grounds of rejection are presented that are necessary under 35 U.S.C 112. Therefore, Claims 7-10,27-30,45-48 remain rejected, and Applicant's request for allowance is respectfully declined.

Claim Rejections - 35 USC § 112

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 7-10,27-30,45-48 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Specific issues are pointed out below.

CLAIM 7, recites a data processing system, comprising:

a processor adapted to:

analyze risk elements of interest-rate derivative components and mortgage pool components,

develop plans for structuring securities that include cash flows from selected interest-rate derivative components and selected mortgage pool components in combination, such that each plan overcomes an artificial leverage.

validate a securities structuring plan and initialize files for securities to be issued under the validated plan; and

administer securities issued under the validated plan.

LIMITATION #1

Initially, the term "analyze" in the first limitation is indefinite. Given that there is very little environmental background provided in the preamble, it is unclear what is being analyzed and how. Are the risk elements something as simple as default on underlying mortgage pools, or is there some fluctuation in interest rates that creates the risk, or both? Is the analysis quantitative or qualitative? Perhaps it is a statistical computation?

Further, and secondly, how does the analysis performed in the first limitation correspond and relate to the second limitation of the claim that currently recites developing plans for structuring securities. Are the results of the analysis utilized in developing the plans? If not, there would seem to be a question as to the utility of the first limitation. It is unclear how the first and second limitations are linked together.

LIMITATION #2

There are indefinite terms associated with the second limitation. The term "develop" does not have a tangible result associated with it. Development is an ongoing process, and it is unclear whether a plan or plans are ultimately generated. The examiner suggests the term "generate" to sufficiently establish that plans are created for implementation.

A second problem is that the terms "plans" do not correlate in terms of plurality with the third limitation, which refers to a "plan". The examiner thus suggests changing the second limitation to read, "generate a plan..."

A final issue related to the second limitation relates to the phrase "such that" which suggests an intended use or expected result, but does not necessarily require anything. After further consideration and consultation with the Primary Examiner for this action, the Examiner suggest one of the following:

"generate a plan, thereby overcoming an artificial leverage limitation, for structuring securities that include cash flows from selected interest-rate derivative components and selected mortgage pool components, in combination,"

or

"generate a plan for structuring securities that include cash flows from selected interest-rate derivative components and selected mortgage pool components, in combination, thereby overcoming an artificial leverage limitation."

LIMITATION #3

This limitation recites "validate a securities structuring plan..." which is confusing because it is unclear whether the plan described, refers to the plan of limitation 2 or a new plan. Thus the examiner suggests, "validating the securities structuring plan," or "validating said securities structuring plan."

Second, the terms "validate" and "initialize" have no regularly accepted meaning in the art, so they will be interpreted in light of the specification. Otherwise, a number of possible interpretations could render the claim ambiguous. For example, one interpretation could be that validation is a result of some sort of automated error checking. A second interpretation could equally be a user approval via an interface. Thus the term is indefinite in this regard, the same being true for term "initialize".

CLAIM 27, recites a method of adding value to mortgage-backed securities using at least one data processing system comprising:

identifying one or more pools of mortgage securities;

identifying one or more pools of interest-rate derivatives;

analyzing, using at least one data processing system, risk elements and economic variables associated with cash flows coming from the one or more pools of mortgage securities and the one or more pools of interest-rate derivatives;

strategically allocating, using at least one data processing system, cash flows from the one or more pools of mortgage securities and cash flows from the one or more pools of interest-rate derivatives to create classes of investment securities which define a new set of investment securities that overcome a leverage limitation, at least one class combining cash flows from the one or more pools of interest-rate derivatives and cash flows from the one or more pools of mortgage securities, and

issuing the new set of investment securities.

There are a few issues relating to indefiniteness with this claim.

Initially, the term "analyzing" in the third limitation is unclear for some of the same reasons as in Claim 7. Is the analysis quantitative or qualitative? Is the analysis a statistical computation? More importantly, and as with Claim 7, the third and fourth limitations are not linked together. That is to say, how is the analysis performed in limitation 3 used in the remainder of the claim? If the analysis were not used, there would seem to be a question as to the utility of the third limitation.

A second issue with this claim is that the fourth limitation refers to overcoming a "leverage limitation", which seems in disconnect with the remaining two system claims that are pending. The leverage limitation, as the Examiner understands it, is maintained under SEC regulations and statutes that require certain set asides of principal to meet payment requirements. In that the market does not necessarily dictate these set asides, it is an artificial limitation. This is the examiner's understanding of the pending system claims. This limitation is unclear given the context of the invention and remaining pending claims.

A final problem with this claim is that, unlike Claim 7, a pending system claim, the final limitation in the method requires the step of "issuing" the securities rather than administering the securities. It is unclear whether this is a distinct invention from the system of Claim 7.

Claim 45 recites a system for creating investment securities, which are at

least partially backed by mortgage pool components comprising:

>a computer adapted to execute software comprising:

>a risk analysis and planning module that analyzes risk elements of interest-rate derivative components and mortgage pool components, develops plans for structuring securities that include cash flows from selected components from the interest-rate derivative components and mortgage pool components in combination, and adopts plans which overcome an artificial leverage limitation;

>a deal structure module that validates each adopted plan and causes the securities to be issued under each validated plan; and

>an administration module for administering the securities issued under

>each plan validated and initialized by the deal structure module.

This claim presents the same or similar issues as with Claims 1 and 27 relating

to indefinite language, lack of linking of limitations, and of whether securities are

required to be issued and administered by one entity or by possibly one or more

entities. Applicant should amend the claims accordingly.
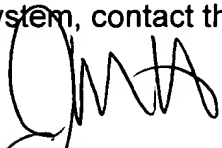
Conclusion

THIS ACTION IS NON-FINAL. Any inquiry concerning this

communication or earlier communications from the examiner should be

directed to James Alpert whose telephone number is (571) 272-6738. The

examiner can normally be reached on M-F 9:30-6:00. If attempts to reach the

examiner by telephone are unsuccessful, the examiner's supervisor, James

Trammel, can be reached on (571) 272-6712. The fax phone number for the

organization where this application or proceeding is assigned is (571) 273-8300.

Information regarding the status of an application may be obtained from

the Patent Application Information Retrieval (PAIR) system. Status information

for published applications may be obtained from either Private PAIR or Public

PAIR. Status information for unpublished applications is available through

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direct.uspto.gov. Should you have questions on access to the Private PAIR

system, contact the Electronic Business Center (EBC) at 866-217-9197.

James M. Alpert
July 21, 2006

ELLA COLBERT
PRIMARY EXAMINER